

Message Text

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TO USDEL SECRETARY PRIORITY

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FOR UNDER SECRETARY ROGERS FROM SORENSEN

FOLLOWING REPEAT ROME 19448 ACTION SECSTATE 29 NOV 76

QUOTE

LIMITED OFFICIAL USE ROME 19448

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E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: ECONOMIC SITREP NO. 20, MONDAY, NOVEMBER 29

REF: ROME 19376

1. SUMMARY. A NEW ROUND OF TAX MEASURES MAY SURFACE AS PRESSURE
FOR NEW PROGRAMS AND FOR CURES FOR FESTERING ONES MOUNTS.

MERGING EIGHT VALUE-ADDED TAX CATEGORIES INTO FOUR
WOULD INCREASE COST-OF-LIVING IN 1977 BY 3 PERCENT AND RAISE
3,200 BILLION LIRE IN NEW REVENUES FOR FISCALIZATION OF SOCIAL
INSURANCE COSTS. LIRA RATE DOWNIMLIGHTLY ON SLIGHTLY INCREASED
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VOLUME. END SUMMARY.

2. NEW TAX MEASURES MAY BE IN OFFING. GOVERNMENT HAS REACHED ITS ANNOUNCED GOAL OF RAISING REVENUES IN 1977 BY OVER 5,000 BILLION LIRE, BUT THERE ARE STILL PROGRAMS ON THE HORIZON, BOTH OLD ONES AND NEW ONES, WHICH MAY HAVE TO BE FUNDED IN 1977. SPECIFICALLY, ANY LARGE-SCALE ASSUMPTION BY CENTRAL GOVERNMENT OF LOCAL GOVERNMENT DEBT WILL REQUIRE NEW CENTRAL GOVERNMENT FINANCING AS WILL INCREASES IN PUBLIC SECTOR EMPLOYEES' SALARIES AND PERHAPS INCREASING CAPITAL ENDOWMENT OF AILING MONTEDISON. OLDER PROGRAM PROBLEMS WHICH ARE SIMMERING ON BACK BURNER INCLUDE FINANCING ACCUMULATED HOSPITAL DEBT AND OTHER HEALTH BENEFIT COSTS. MINFIN PANDOLFI HAS TO DATE RULED OUT INCOME TAX INCREASES POINTING OUT THAT DISCAL DRAG WILL IN FACT ACCOMPLISH THE SAME THING WHILE VALUE-ADDED TAX INCREASES ARE APPARENTLY RESERVED TO FINUWCE SOME DEGREE OF FISCALIZATION OF SOCIAL INSURANCE COSTS. INSTITUTION OF PROPERTY TAX APPEARS RESERVED FOR LOCAL GOVERNMENTS WHEN LONG-TERM PLAN FOR THEIR FINANCIAL REVITALIZATION IS FINISHED, AND A MINIMUM OR PERCENT CHARGE FOR MEDICINES IS APPARENTLY UNDER STUDY TO REDUCE COST OF HEALTH BENEFITS.

3. VALUE-ADDED TAX INCREASES STUDIED. A DRAFT PROPOSAL TO INCREASE VALUE-ADDED TAXES PRESUMABLY TO FINANCE SOME FISCALIZATION OF SOCIAL INSURANCE COSTS, IF NECESSARY, IS UNDER STUDY BY VARIOUS MINISTRIES AND HAS BEEN MADE AVAILABLE TO THE UNIONS. COST OF REDUCING SOCIAL INSURANCE PAID BY EMPLOYERS FROM 41.5 PERCENT OF TOTAL WAGE BILL TO 26.5 PERCENT OF TOTAL IS ESTIMATED AT ABOUT 3,200 BILLION LIRE. BY MERGING PRESENT EIGHT CATEGORIES OF VALUE-ADDED TAX INTO FOUR CATEGORIES, REVENUES COULD BE INCREASED BY THAT AMOUNT (SEE REFTEL NOVEMBER 29). EFFECT ON COST-OF-LIVING WOULD BE 3 PERCENT INCREASE, BUT DRAFT RATHER AMBITIOUSLY PREDICTS A 2,000 BILLION LIRE IMPROVEMENT IN THE BALANCE OF PAYMENTS AND 200,000 MORE JOBS AS A BENEFIT OF REDUCED LABOR COSTS.

4. MONEY MARKETS. NOVEMBER 29 LIRA/DOLLAR RATE ALMOST UNCHANGED AT 865.95 AGAINST 865.35 ON FRIDAY, NOVEMBER 26. VOLUME UP SLIGHTLY AS SOME IMPORTERS RETURNED TO MARKET AFTER HESITATING ON FRIDAY PERHAPS BECAUSE OF STAMMATIS STATEMENT THAT 7 PERCENT TAX ON FOREIGN EXCHANGE MIGHT BE REMOVED EARLY. VCOPE. UNQUOTE ROBINSON.

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